Economic Innovation and Technology Council

Annual Report
2000 - 2001

101-07423/

Letter of Transmittal

July 31, 2001

To the Honourable MaryAnn Mihychuk
Minister responsible for the
Economic Innovation and Technology Council
358 Legislative Building
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

I have the privilege of presenting the Annual Report of the Economic Innovation and Technology Council for the year ending March 31, 2001.

Respectfully submitted,

John Clarkson
Vice-President
Economic Innovation and Technology Council

Message du vice-président

Le 31 juillet 2001

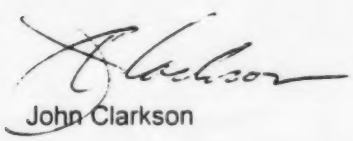
Madame MaryAnn Mihychuk
Ministre responsable du
Conseil de l'innovation économique et de la technologie
Palais législatif, bureau 358
450, Broadway
Winnipeg (Manitoba) R3C 0V8

Madame,

J'ai le privilège de vous présenter le rapport annuel du Conseil de l'innovation économique et de la technologie pour l'exercice se terminant le 31 mars 2001.

Je vous prie d'agréer, Madame, l'expression de mon profond respect.

Le vice-président du Conseil de l'innovation économique et de la technologie,



John Clarkson

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Mandate, Mission and Goals

Since 1992, the Economic Innovation and Technology Council (EITC) has been the Province's advisory council on economic development and innovation. Established by the *Economic Innovation and Technology Council Act,* EITC serves as an interface between government and stakeholders from business, industry, institutions and academia, and acts as a catalyst in establishing partnerships and alliances for increased economic development through innovation. Analytical research, reporting and administrative support for the council and its activities are provided for by a secretariat.

The *Economic Innovation and Technology Council Act,* also created an Economic Innovation and Technology Fund, whereby EITC may provide grants, loans, loan guarantees, and incentives for proposals that meet its goals and objectives. The Province reserved $10 million from the proceeds of the sale of Manitoba Data Services to establish the Fund.

The Manitoba Innovations Fund (MIF) was established in 1998/99 to increase the capability of Manitoba's universities, colleges, hospitals, and other not-for-profit institutions, to conduct world-class scientific research and technology development. Beginning in 1998/99, $7. million has been and will continue to be invested annually, for a total contribution of $35. million over a five-year period.

OBJECTIVES

EITC's mission is ***"to promote and enhance a climate of entrepreneurship, innovation and technological development that spurs responsible economic development for the benefit of all Manitobans."***

EITC's five goals, essential to the fulfilment of its mission and mandate, are set out in the *Framework for Action* document. They are:

1. To get stakeholders to work together;
2. To facilitate the development and commercialization of technology;
3. To position Manitoba as a world-class environment for economic innovation;
4. To create an entrepreneurial climate; and
5. To encourage innovation in education and training.

MIF will provide funding for infrastructure to support research and development that will:

- Enhance economic growth and job creation;
- Lead to improvements in health, the environment, and in quality of human life;
- Build capacity for innovation;
- Strengthen training for research careers for young Manitobans;
- Attract and retain capable researchers and scientists in Manitoba;
- Promote dialogue, networking and collaboration amongst researchers; and
- Ensure the optimal use of the province's research infrastructure by promoting sharing within and between institutions.

MIF will target its investment in key areas such as health, environment, science and engineering. The Fund will focus on developing research infrastructure that will produce products or skills that have the potential for commercialization, are strategically focussed, and encourage collaboration. Funding from this initiative will be available for projects that coincide with Provincial priorities, which include strategic partnerships with organizations such as the Canadian Foundation for Innovation (CFI).

Mandat, mission et objectifs

Le Conseil de l'innovation économique et de la technologie (CIET) a été constitué le 1er septembre 1992 en vertu de la *Loi sur le Conseil de l'innovation économique et de la technologie*.

NOTRE MANDAT:

- conseiller le gouvernement sur tout aspect de l'innovation ainsi que sur le développement et la commercialisation de la technologie;
- recommander un plan d'action à long-terme conçu pour stimuler l'innovation et la commercialisation de la technologie;
- engendrer la prospérité en encourageant l'investissement dans l'innovation et la technologie;
- jouer un rôle d'agent d'innovation auprès du personnel et en ce qui concerne les idées et la recherche;
- faciliter le transfert de la technologie entre les groupes à intérêts multiples.

Le CIET est le conseil consultatif du secteur privé auprès de la province en matière de développement économique et d'innovation, et il sert de lien entre le gouvernement et les parties intéressées du milieu des affaires, de l'industrie, des établissements et des universités. Le Conseil sert de catalyseur en ce qui concerne les partenariats et les alliances visant le développement économique par le biais de l'innovation.

NOTRE MISSION :

« Promouvoir et intensifier un climat favorable à l'innovation, à l'esprit d'entreprise et au développement technologique, qui stimule un développement économique responsable dont bénéficieront tous les Manitobains. »

Voici nos **CINQ OBJECTIFS,** essentiels à l'accomplissement de notre mandat et notre mission :

1. faire en sorte que les parties intéressées travaillent en collaboration;
2. faciliter le développement et la commercialisation de la technologie;
3. faire du Manitoba un joueur de classe mondiale en ce qui concerne l'innovation économique;
4. créer un climat favorable à la création d'entreprises;
5. promouvoir l'innovation dans l'enseignement et la formation.

ACTIVITIES/RESULTS

The following are highlights of activities undertaken by EITC in 2000/01.

Broadband National Task Force

On July 13, 2000 the Broadband Investigation Committee (BIC) was established by the Community and Economic Development Committee of Cabinet (CEDC). BIC's mandate was "to describe the options open to the Manitoba government to play a role in the most cost-effective deployment of broadband communications infrastructure in Manitoba", recognizing that the Province's "current broadband communications infrastructure is adequate in the urban centres but is limited and in some cases cost prohibited in rural and northern communities".

The Final Report of the BIC recommended the implementation of a broadband network into all communities in Manitoba with a government office, school, hospital or library, that Manitoba adopt an anchor tenancy model to promote the growth of high speed networks through out the Province and that the strategy be developed to pursue federal government cost sharing for the installation of the network infrastructure.

The province will work with the federal government on its commitment to achieve the goal of high-speed broadband access to all communities in Canada by 2004 through the National Broadband Task Force and its Federal/Provincial/Territorial Broadband Panel.

Community Connections

On March 7, 2000, the Governments of Canada and Manitoba announced a cost-sharing Memorandum of Agreement (MOA), of up to $11.1 million that increased the number of public Internet access sites in Manitoba from 146 to 586. The MOA enables Manitoba to assume a leadership role in the development of an Internet-based infrastructure that would provide greater public access to government and community-based information and services right in the community. Under the agreement, *Community Connections*, a provincial initiative, takes the lead in establishing 440 new Internet access sites for Manitobans throughout the province, including 200 new sites in Winnipeg. The MOA leverages funding from the federal government's Community Access Program (CAP).

In 2000/01, Community Connections undertook the following activities to establish 440 public Internet access sites in Manitoba:

- Reviewed 573 letters of interest from community groups;
- Worked with staff from Community Connections, Intergovernmental Affairs, Community Resource Coordinators from the City of Winnipeg, and Primary Health Coordinators from the Winnipeg Regional Health Authority and interested communities, to develop more detailed proposals and to establish Community Resource Networks;
- Signed 485 contracts (174 from Winnipeg and 311 from rural and northern Manitoba) to establish the access sites.

In the coming year, the public Internet access sites will be opened to the community. In addition, Community Connections will support the development of community websites,

and the ongoing work of the sites through the use of Youth Employment Students and the creation of a help desk.

Invest Manitoba

In June 1994, the *Report of the Manitoba Task Force on Capital Markets* recommended that industry, government and the community commit to develop ways to improve access to capital for Manitoba businesses. In response to this recommendation, Invest Manitoba was established in partnership with the Economic Innovation and Technology Council (EITC), Industry, Trade and Mines, the Winnipeg and Manitoba Chambers of Commerce and the investment community.

Since 1995, five *Venture Showcases* have been held and 85 companies have participated in the event. Every year, the event has grown as Invest Manitoba gains a reputation in the investment community as an event that highlights Manitoba's up and coming entrepreneurs. In 2000, over 20 companies made presentations to and networked with over 400 potential investors.

Education is one of the most important components of the Invest Manitoba process. The *Art of Raising Capital* Seminar Series is an ongoing educational series for Manitoba businesses and investors to acquire information to raise investment capital, understand the complexities of raising capital and learn how to work with investors. Since 1995, over 15 seminars have been held with more than 750 Manitoba businesses and investors attending. The seminars held in 2000/2001 included Information and Communications Technologies (ICT) Companies Investment Program, in partnership with Industry Canada, TechComm Forum 2001, in partnership with the University Industry Liaison Office, Strategic Alliances: New Opportunities for Strategic Growth, Keystone Companies: New Opportunities for Growth capital, and Financing Basics: What You Need To Grow Your Business.

Manitoba Innovations Fund

In 1998, the Manitoba Innovations Fund (MIF) was established to increase the capability of Manitoba's universities, colleges, hospitals, and other not-for-profit institutions, to conduct world-class scientific research and technology development. Funding in the amount of $35 million will be available over a five-year period.

MIF targets its investment in the areas of health, environment, science and engineering. Funding is available for projects that coincide with Provincial priorities, including strategic partnerships with organizations such as the Canadian Foundation for Innovation (CFI).

MIF encourages the creation of infrastructure to support research and development enhancing economic growth and job creation; improvements in health, the environment, and quality of human life; building capacities for innovation; strengthening training for research careers for young Manitobans; attracting and retaining capable researchers and scientists in Manitoba; promoting dialogue, networking and collaboration amongst researchers; and ensuring the optimal use of the province's research infrastructure by promoting sharing within and between institutions.

In 2000/2001, 49 projects received $7.74 million in funding through the MIF. A total of $992 thousand was allocated to 29 projects through the Regional Partnerships Program

jointly funded with the Canadian Institutes for Health Research (CIHR). The remaining $6.75 million was used to fund 22 projects at the universities of Brandon, Manitoba and Winnipeg and the St. Boniface General Hospital Research Centre. This leveraged an additional $6.75 million in matching contributions from CFI this fiscal year. Since 1998, MIF has provided $20.1 million in funding to enhance the province's research infrastructure; CFI provided the equivalent amount.

Manitoba Innovation Network

The Manitoba Innovation Network (MIN), established in 1995 as ManCET, had as its founding vision a mandate to focus Manitoba's technology industry on emerging economic development opportunities arising in the information economy.

In 2000/2001, MIN underwent a review of its operations to better meet the needs of its membership, and create a self-sustaining organization. MIN's new vision is to build upon Manitoba's strategic advantages thereby ensuring Manitoba's position as a leader in the digital economy. The Government, through EITC, provided bridge funding of $35 thousand through their restructuring. MIN's business plan and restructuring was approved at its Annual General Meeting in February 2001.

MIN's mission is to be a working forum for Manitoba's information technology community with a focus on helping to create an environment that fosters economic growth throughout Manitoba's information technology (IT) ecosystem. The Network's goals include nurturing the growth of an advanced technological infrastructure, accelerating the deployment of information technology and fostering the development of Manitoba-based content and applications through a unified voice seeking representation from members by creating a high-value program and identifying and assessing common challenges and dealing with them.

MIN has also changed its membership structure to be operationally self-sustaining and to be affordable to any business, association and government body - based on annual revenues and budgets. A Board of Directors representative of all membership categories governs MIN.

Since its establishment, MIN has received operational funding from the Province of Manitoba in the amount of $150 thousand per year. Workforce 2000 supported two-thirds of the salary for the Education and Technology Module with last payments made September 2000. The Economic Innovation and Technology Council (EITC) approved three-year funding of $375 thousand in 1999 to support the Broadband Project Office. Funding is issued on a declining basis.

Manitoba Information Technology Industries

In April 1998, the Government, through EITC issued "Looking to the Future...A Manitoba Report", by the Emerging Skills Needs Task Group. The report outlined issues related to skill shortages in the Manitoba's information technology (IT) sector, including a recommendation to form an IT industry sector committee to identify and refine human resource issues, and to develop implementation plans, including training initiatives.

In September 1998, the Manitoba Information Technology Industries Committee - MITI (formerly the Information Technology Sectoral Committee) was formed to identify the human resource needs for the sector, develop a multi-year human resource needs plan, identify training needs for IT employees, existing and prospective, attract and retain qualified IT professionals and facilitate positive educational changes. Funding is cost-shared between Manitoba Education and Training: Employment and Training Services and WORKFORCE 2000, and industry. MITI was incorporated as a not-for-profit entity in 2000.

As well as providing Industry Demand Statistics, Industry Specific Training Programs and High School IT Programs, the Committee's 2000/2001 activities included:

Computer Science Development Plan (University of Manitoba)
The plan addresses doubling the number of graduates from the program to 285 by 2005, improving the skill level of graduates, providing a positive research and work environment to ensure that the department retains their faculty, ensuring that all students and faculty have access to up-to-date and relevant equipment and building relationships between: 1) industry and the Department of Computer Science; and, 2) educational institutions and the Department of Computer Science. Total funding of $3.5 million was approved over a four-year period starting in 2000 to implement the plan and its deliverables.

Small Projects

The Government, through EITC, receives requests for seminar and conference sponsorship, promotional events, forums, shared studies, and educational activities funding.

To receive funding, projects must contribute to one or more of EITC's goals as well as be considered against criteria in the areas of economic innovation, research and development/technology commercialization, education, training and entrepreneurship and partnerships. Funding in the amount of $90,000 was provided in 2000/2001 for more than twenty-two projects.

Soft Center

In 1986, the Soft Center concept was created in Ronneby, Sweden in order to provide a place where business and education could collaborate to facilitate growth of the software industry where it now boasts 70 member companies and 3,000 staff members. Similar centres, CyberVillage and Soft Center have been created in St. Paul and Duluth, Minnesota, respectively. In July and October 2000, Manitoba business, education and government leaders visited Minnesota to gain firsthand knowledge about the success of two high-tech initiatives that could potentially be replicated in Manitoba.

The Soft Center model creates an effective environment for business, development, education and research in the field of software development. Manitoba has an opportunity to stimulate economic development by attracting and retaining ICT businesses, virtually and physically, to downtown Winnipeg. The idea is to stimulate co-operation and establish meeting points, physical as well as virtual, for people and businesses with different skills and backgrounds with the intent of helping software companies grow. One key difference between Soft Centers and other incubators is the fact that companies can stay and grow in the Soft Center. Companies in other incubators stay on average 18 months and move on to make room for new start-ups.

A Task Group, composed of members from business, education and government, was formed to look at ways to develop a strong and vital information and communication technology (ICT) industry with particular emphasis on downtown redevelopment. The report, to be complete in August 2001, will examine if there is a need for the development of a Soft Center or similar model.

TRLabs

Created in April 1995, TR*Labs* is a Canadian not-for-profit applied research and development (R&D) consortium developing and delivering highly trained information and communications technologies (ICT) professionals and technologies to industry.

Industry, Trade and Mines (ITM) sponsored TR*Labs* at $1.86 million over four years (fiscal years 1997/98 to 2000/01). Western Economic Development's contribution is a $10.0 million loan over five years (period ending March 2001). The loan is to be repaid by 2011.

In 1999, Manitoba's anchor sponsor, MTS, decided not to renew its sponsorship of TR*Labs*. This sponsorship was $600,000 per year ($340,000 cash and $260,000 in-kind). In the interim, ITM has relaxed the contribution agreement conditions from 18% to 26% of eligible expenses (maximum support is based on the percentage of Manitoba budget which is related to sponsorship funding) to allow TR*Labs* to pursue new sponsors and continue operating in Manitoba. The department's contribution agreement cap of 18% of eligible expenses was increased to 26% with no revision to the total maximum support ($450,000, $460,000, $470,000, and $480,000 each respective fiscal year).

This is the last year of the Province of Manitoba's existing contribution agreement with TR*Labs*. The public partners (WED and the provinces of Alberta, Manitoba and Saskatchewan) have initiated an independent performance evaluation of TR*Labs* to assist in the agreement renewal process, focusing on the prior five-year performance (1996-2000) and providing recommendations for going forward. The objective is to have a new agreement in place by April 2001.

Economic Innovation and Technology Fund

Proposals receiving funding in 2000/01 were:

Manitoba Network for Science and Technology (Mindset)

The Government is strongly committed to encouraging a greater public understanding of the relevance of science and technology (S&T) for economic prosperity and quality of life. Achieving success in a knowledge-based economy depends critically on a skilled and scientifically literate work force. The Province recognizes the importance of attracting the best and brightest young people to S&T-related careers in Manitoba

In 1998, The Manitoba Network for Science and Technology (or MindSet) was established with a mandate to "act as a catalyst to engage business, educational, governmental and non-governmental organizations in helping K-12 young people experience and embrace the excitement of science, technology, mathematics and innovation so that they can successfully contribute to and enjoy an innovative Canadian society."

MindSet is in its third year of a three-year funding commitment from EITC. In 2000/01 funding for MindSet was $180,000, and including support for a co-ordinator, involvement in communication initiatives, participation S&T open houses, and increased focus on year-round activities and various community awareness activities. MindSet is actively involved with various programs such as:

Aventis Biotechnology Challenge
The Government, through EITC, entered into a Memorandum of Understanding with Aventis Pasteur for the period July 1, 2000 to June 30, 2001 for the coordination and administration of the Aventis Biotechnology Challenge. The Aventis Biotechnology Challenge (ABC) is a national program providing opportunity for high school students to carry on biotechnology research under the conditions found in industry. Over $30,000 in financial and in-kind support is provided by the national sponsors – Aventis Pasteur, the Biotechnology Human Resources Council and the National Research Council of Canada. It is anticipated that EITC will commit up to $5,000 in additional funds per year to encourage the long-term survival of this project, which is being funded nationally for three years in total. At this time, over 20 businesses, government departments and post-secondary education institutions have committed people and financial resources to support the project in Manitoba.

Innovators in the Schools
The Innovators in the Schools Program is an initiative linking professionals from science and technology industries with teachers and students in the classrooms. The program has over 500 innovators on call with professions in industries ranging from aerospace, agriculture and architecture to transportation specialists, weather forecasters and zoologists. These volunteers interact with students in an attempt to excite them about science, technology, engineering and mathematics. Students are encouraged to explore, discover, problem solve and choose careers in science and technology fields. Over the seven years of the program, the program has reached an average of over 12,700 students per year. MindSet is in the last year of a three-year agreement as the lead sponsor of this program, which is co-ordinated by the Manitoba Museum of Man and Nature. Discussions are underway with the Museum regarding future funding of the program.

Summer Institutes
Four summer institutes, designed to expose educators to important areas of provincial economic growth, were delivered by MindSet in July 2000. Topics include telecommunications, multi-media, biotechnology, and robotics/automation. Partners have been confirmed for all institutes. As part of the Summer Institute program, teachers participate with the understanding that they will use the information to create instructional units that can be used for enriching science courses taught in high schools.

Manitoba Science and Technology Achievement Event
MindSet held its second annual Science and Technology Achievement Luncheon on April 11, 2000, to highlight achievements in science and technology by Manitobans. This event brings together people whose work has been recognized at a provincial, national or international level. This past year's event honoured 170 science and technology achievers including students, teachers, scientists, engineers and medical researchers.

***Digitized* Student Technology Conference**
The *Digitized* Conference is an opportunity for high school students to increase their knowledge of technology and information technology careers, and related social/ethical issues. Speakers from the business sector in Manitoba share their

cutting-edge expertise with students from all over Manitoba. A unique feature of *Digitized* is that it is organized by a Student Advisory Group and runs parallel to TechQuest, an industry conference for information technology and business professionals.

MindSet Web-Site
The purpose of the MindSet web-site is to provide information about MindSet and its programs as well as to share general science information. The content of the web-site includes science sites on the Internet, listings of science and technology learning opportunities and materials, including The Brain Game, an online science contest.

Partnership Projects
Part of the philosophy of MindSet has been to encourage the development of other strong science and technology organizations such as the Science Council of Manitoba (SCM), Manitoba School Sciences Symposium (MSSS), Deep River Science Academy and the Computer Education Coordinators of Manitoba. The Government supports the SCM's Robotic Games and other projects, which are identified for funding during the course of the year.

SMARTpark - In 1999, EITC approved funding in the amount of $2.8 million to assist the University of Manitoba in the development of a research park on its Fort Garry campus. SMARTpark focuses on knowledge-based industries such as advanced materials and manufacturing technologies, information technology and telecommunications, pharmaceutical and agricultural biotechnologies, and resource-based value-added products and processing. SMARTpark, through its efforts, is positioning Manitoba within the knowledge-based global economy.

The development of the Park is in two phases. Phase I includes the development of 50 acres and Phase II will see the development of 58 acres. Phase I infrastructure and operation costs total $5.6 million. These costs represent what is required to service the site (i.e. roads, drainage, water and sewage systems, and utilities) and the 18-month operating costs (i.e. common area maintenance, salaries and benefits for SMARTpark staff, marketing and property taxes).

Broadband Network Project Office - In 1999, Council approved funding to the Manitoba Innovation Network (MIN) for the establishment of a Broadband Project Office for $375 thousand over a three-year period. The Office was established in January 2000 with a mandate to promote and guide broadband research and development within Manitoba. Funding is issued on a declining basis, upon the submission of update reports.

Economic Innovation and Technology Council

Financial Statements

March 31, 2001

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2001 and the statements of revenue, expenditure and funds retained, the statement of Economic Innovation and Technology Fund revenue and grant expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
May 11, 2001
(except for Note 8, as to which the date is June 7, 2001)

Economic Innovation and Technology Council

Exhibit A

Balance Sheet

March 31

	2001	2000
Assets		
Current		
Petty cash	**$ 400**	$ 400
Funds on deposit with Minister of Finance		
Cash	**326,818**	8,881
Term deposits (and accrued interest)	**517,994**	488,356
Accounts receivable		
Province of Manitoba	**11,712**	895,699
Other	**80**	23,578
Notes receivable (Note 3)	**103,067**	103,067
Prepaid expenses	**8,001**	8,978
	968,072	1,528,959
Notes receivable (Note 3)	**228,066**	331,133
Investment in Manitoba Technology Centre Ltd. (Note 4)	**1**	1
Capital assets (Note 5)	**22,643**	18,204
	$ 1,218,782	$ 1,878,297
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	**$ 6,000**	$ 6,000
Other	**139,246**	878,065
	145,246	884,065
Equity		
Funds retained (Exhibit B)	**1,073,536**	994,232
	$ 1,218,782	$ 1,878,297

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31

	2001	2000
Revenue		
Province of Manitoba		
Operating grant	**$ 1,023,900**	$ 1,023,900
Sundry	**50,233**	31,202
	1,074,133	1,055,102
Expenditure		
Operating expenses (Schedule 1)	**994,829**	1,093,821
Excess (deficiency) of revenue over expenditure from operations	**79,304**	(38,719)
Gain on redemption of common shares (Note 4)	**-**	434,175
Excess of revenue over expenditure	**$ 79,304**	$ 395,456
Funds retained, beginning of year	**$ 994,232**	$ 598,776
Excess of revenue over expenditure	**79,304**	395,456
Funds retained, end of year (Exhibit A)	**$ 1,073,536**	$ 994,232

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit C

Statement of Economic Innovation and Technology Fund Revenue and Grant Expenditure

Year Ended March 31

	2001	2000
Revenue - Grant from Province of Manitoba (Note 6)	**$ 270,457**	$ 2,968,101
Grant expenditure	**270,457**	2,968,101
Excess of grant revenue over expenditure/ funds retained	**$ -**	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31

	2001	2000
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of Council operations revenue over expenditure (Exhibit B)	**$ 79,304**	$ 395,456
Items not involving cash		
Amortization	**7,689**	8,034
Gain on redemption of common shares in MTC Ltd. (Note 4)	**-**	(434,175)
Net changes in non-cash working capital balances		
Accounts receivable	**907,485**	(152,576)
Prepaid expenses	**977**	38,521
Accounts payable and accrued liabilities	**(738,819)**	279,464
Notes receivable	**103,067**	
Increase in cash from operations	**359,703**	134,724
Investments		
Acquisition of capital assets, net	**(12,128)**	(1,733)
Cash applied to investing activities	**(12,128)**	(1,733)
Net increase in cash and cash equivalents	**347,575**	132,991
Cash and cash equivalents, beginning of year	**497,637**	364,646
Cash and cash equivalents, end of year	**$ 845,212**	$ 497,637
Represented by:		
Cash	**$ 400**	$ 400
Funds on deposit with Minister of Finance		
Cash	**326,818**	8,881
Term deposits	**517,994**	488,356
	$ 845,212	$ 497,637

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements

March 31, 2001

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

In addition, EITC has responsibility for the operation of the Economic Innovation and Technology Fund from which EITC may provide grants, loans, loan guarantees and incentives which further EITC's economic development objectives.

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of Reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Capital assets

Capital assets are recorded at cost less Government grants received and accumulated amortization. Amortization is calculated on a straight-line basis at the following annual rates:

Computer equipment	33 1/3%
Furniture and fixtures	10%
Equipment	10%

c) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short term deposits with maturities of three months or less.

3. Notes receivable

The notes receivable arise from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (note 4). The notes receivable are non-interest bearing, and are payable in instalments as follows:

June 1, 2001	$ 103,067 (Note 8)
June 1, 2002	103,066
June 1, 2003	125,000

4. Investment in Manitoba Technology Centre Ltd.(MTC)

1 Class B Special Preferred Share, at cost	$1

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 1999, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price is being paid in instalments as disclosed in Note 3. Non-interest bearing promissory notes have been provided to EITC, and a gain on $434,175 resulting from this redemption was recorded in the year ended March 31, 2000.

5. Capital assets

Capital assets owned by the Economic Innovation and Technology Council are summarized as follows:

	Cost	Less Government Grants Received	Less Accumulated Amortization	**2001 Net Book Value**	2000 Net Book Value
Computer equipment	$ 39,811	$	$ 26,791	**$ 13,020**	$ 7,028
Equipment	15,524		5,901	**9,623**	11,176
Furniture and fixtures	32,214	32,214			
Total	$ 87,549	$ 32,214	$ 32,692	**$ 22,643**	$ 18,204

6. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

The Province of Manitoba provides access to a fund set aside for economic innovation initiatives. These funds are on deposit in the Fiscal Stabilization Fund and are available to fund EITC's Economic Innovation and Technology Fund. The original amount of this fund was $10,000,000. Up to March 31, 2001, $5,343,527, including $270,457 in the current year, has been expended by EITC and recovered from the Fiscal Stabilization Fund.

7. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

8. Subsequent event

Subsequent to year end, EITC received the second instalment of $103,067 from MTC.

Economic Innovation and Technology Council
Schedule of Expenses

Schedule 1

Year Ended March 31

	2001	2000
Advertising and promotion	$ 6,213	$ 17,910
Amortization	7,089	8,034
Computer	39,775	38,348
Council activities	396,444	312,940
Equipment rental and maintenance	6,978	5,562
Fees, memberships and conferences	4,003	22,528
Insurance	935	1,182
Library operations		89
Postage, delivery and telephone	14,657	19,053
Printing and stationery	6,412	7,560
Professional development	1,409	649
Professional fees	5,875	5,000
Purchased services	60,225	59,018
Rental and property tax	50,165	54,361
Salaries and benefits	371,044	503,452
Travel	23,005	38,135
	$ 994,829	$ 1,093,821